

STATE OF ARIZONA
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STATE OF ARIZONA

MAY 23 2002

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY CS

In the Matter of

PAULA Insurance Company,
(NAIC No. 32115)

Respondent.

Docket No. 02A-053-INS

CONSENT ORDER

On March 26, 2002, the State of Arizona, Department of Insurance (the "Department"), issued an Order Summarily Suspending Certificate of Authority and Notice of Hearing to PAULA Insurance Company ("Respondent"). Respondent wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Respondent Paula Insurance Company ("Respondent") is domiciled in California and presently holds a certificate of authority issued by the Arizona Department of Insurance ("Department") to transact disability and casualty with workers' compensation insurance.

2. The Respondent's Annual Statement as of December 31, 2001 reported a negative surplus of -\$25,028,341, which is less than the minimum free surplus of \$150,000 Respondent is required to maintain in accordance with A.R.S. §20-211, and which constitutes an adverse finding with respect to the financial condition of the Respondent within the meaning of A.A.C. R20-6-308(A)(1).

3. On April 26, 2002, an Order Appointing Conservator and Restraining Orders was entered in the Superior Court of the State of California for the County of Los Angeles, Case No. BS075685, Insurance Commissioner of the State of California v. PAULA Insurance Company. Pursuant to this Order, the Insurance Commissioner of the State of California is appointed Conservator of Respondent.

CONCLUSIONS OF LAW

1. The Director has jurisdiction over this matter.

2. Respondent is in unsound financial condition or in such condition as to render its further transaction of insurance in this state hazardous to the policyholders or to the people of this state, within the meaning of A.R.S. § 20-220(A)(3) and A.A.C. R20-6-308 and within the meaning of A.R.S. § 20-1631(D)(4).

3. Respondent no longer meets the requirements for the authority originally granted, on account of deficiency in assets or otherwise, within the meaning of A.R.S. §20-219(2).

4. Grounds exist for the Director to suspend or revoke Respondent's certificate of authority pursuant to A.R.S. §20-220(A).

ORDER

IT IS ORDERED:

1. Suspending the certificate of authority held by Respondent PAULA Insurance Company to transact insurance business in Arizona.

2. Prohibiting Respondent from issuing new and renewal insurance effective immediately, except that Respondent shall extend existing policies for the minimum period necessary to provide timely notice of non-renewal to the policyholder as required by Arizona Revised Statutes and the insured's policy.

3. The administrative hearing, which is scheduled to convene on May 17, 2002, is vacated.

DATED AND EFFECTIVE this 22 day of May, 2002.


CHARLES R. COHEN, Director
Arizona Department of Insurance

1 **CONSENT TO ORDER**

2 1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law and
3 Order.

4 2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona and
5 admits the foregoing Findings of Fact and consents to the entry of the foregoing Conclusions of Law
6 and Order.

7 3. Respondent is aware of its right to notice and a hearing at which it may be represented
8 by counsel, present evidence and cross-examine witnesses. Respondent irrevocably waives its right
9 to such notice and hearing and to any court appeals relating to this Consent Order.

10 4. Respondent states that no promise of any kind of nature whatsoever, except as expressly
11 contained in this Consent Order, was made to it to induce it to enter into this Consent Order, and that
12 it has entered into this Consent Order voluntarily.

13 5. Respondent acknowledges that the acceptance of this Consent Order by the Director
14 is solely to settle this matter against it and does not preclude any other agency, officer or subdivision
15 of this state from instituting civil or criminal proceedings as may be appropriate now or in the future.

16
17 5/13/02
18 Date

PAULA Insurance Company

19 By Elena M. Asturias

20 Its Staff Counsel to the
21 Conservator
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23 ...
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1 COPY of the foregoing mailed/hand-delivered
2 this 23rd day of May, 2002, to:

3 Raymond William Jacobsen, President
4 Paula Insurance Company
300 North Lake Avenue
Pasadena, CA 91101

5 John K. Mangum, Statutory Agent for
6 Paula Insurance Company
One East Camelback Road, Suite 1100
Phoenix, AZ 85012-1656

7 California Insurance Department
8 300 Capitol Mall, Suite 1700
Sacramento, CA 95814

9 Marla K. Markman, Deputy Attorney General
10 300 South Spring Street, Suite 500
Los Angeles, CA 90013-1204

11 Larry Etchechury, Director
12 Industrial Commission of Arizona
800 West Washington Street
13 Phoenix, AZ 85007-2922

14 Michael E. Surguine, Executive Director
15 Arizona Property and Casualty Guaranty Fund
3443 North Central, Suite 1000
Phoenix, AZ 85012

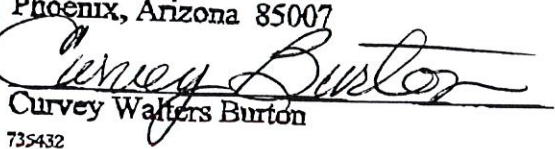
16 Lewis D. Kowal, Administrative Law Judge
17 Office of Administrative Hearings
1400 West Washington Street, Suite 101
18 Phoenix, AZ 85007

19 Sara Begley, Deputy Director
Steve Ferguson, Assistant Director
20 Leslie Hess, Financial Affairs Legal Analyst
Mary Butterfield, Assistant Director
21 Deloris Williamson, Assistant Director
Catherine O'Neil, Consumer Affairs Legal Officer
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